Ontario Mortgage and Housing Corporation

2010/2011

Annual Report

Ministry of Municipal Affairs and Housing

Office of the Minister

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TO THE LIEUTENANT GOVERNOR

OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, I am presenting the Annual Report of the Ontario Mortgage and Housing Corporation for the fiscal year 2010–2011.

Respectfully submitted,

Rick Bartolucci, MPP, Sudbury

Minister

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Ontario
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TO THE HONOURABLE RICK BARTOLUCCI
MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

On behalf of the Board of Directors, I am pleased to present a copy of the Ontario Mortgage and Housing Corporation's Annual Report and audited financial statements for the fiscal year 2010/2011.

Respectfully submitted,

Janet Hope
Chair
Ontario Mortgage and Housing Corporation

Message from the Chair

I was delighted to be appointed as the Chair of the Ontario Mortgage and Housing Corporation this year and to welcome Trevor Bingler as our newest member of the Board.

2010/2011 has been a busy and productive year. I would like to thank my colleagues on the Board, the officers of the Corporation and Ministry staff for their contributions and achievements to this end.

During the year, the Ontario Mortgage and Housing Corporation continued to manage and administer its obligations related to former housing programs, including debt retirement and potential environmental responsibilities related to its former public housing land and properties.

Under the environmental remediation function, the Board considered claims from the City of Toronto and the Regional Municipality of York. These claims continue under active Board review.

Under the Dr. Albert Rose Bursary Program, a total of 1,113 full and part-time bursaries were awarded to students living in rent-geared-to-income housing in Ontario. The amounts of bursaries awarded were $825 for full-time students and $275 for part-time students.

As noted in the 2011 provincial Budget, the Province has identified a number of agencies that have "overlapping functions or whose functions could either cease to exist or be performed more efficiently by other means". The Ontario Mortgage Corporation and the Ontario Mortgage and Housing Corporation have been identified within this group. A review is underway within the Ministry to determine the future of these corporations and whether they could be "eliminated or merged". The results of the review are anticipated by the end of the 2011/2012 fiscal year.

Janet Hope
Chair
Ontario Mortgage and Housing Corporation Board of Directors

Annual Report of the
Ontario Mortgage and Housing Corporation
for 2010/2011

INTRODUCTION

The Ontario Mortgage and Housing Corporation is a classified Operational Enterprise Agency of the Province of Ontario, established under the authority of the *Ontario Mortgage and Housing Corporation Act* and reporting to the Minister of Municipal Affairs and Housing.

The Corporation is funded by the Province through an annual transfer payment. Its funds are not part of the books of the Ministry of Municipal Affairs and Housing after transfer, and it is subject to an annual external audit by the Auditor General of the province, as required by its founding legislation. This funding covers debentures, bursary payments, repayments on Canada Pension Plans loans, mortgage insurance payments, and capital costs (for environmental remediation) for which the Corporation is responsible. The Corporation does not generate any revenue other than the transfer payment from the Province. Staff of the Ministry of Municipal Affairs and Housing provide all its administrative and operational support.

BOARD OF DIRECTORS

The Ontario Mortgage and Housing Corporation's Board of Directors is appointed by the Lieutenant Governor in Council and is accountable to the Minister of Municipal Affairs and Housing for ensuring that the Corporation carries out its mandate effectively.

A five-member Board of Directors, composed of senior provincial public servants, oversaw the Corporation's business in 2010/2011. It consisted of:

Name	*Position*	*Date of First Appointment*	*Appointment Expires*
Janet Hope	Chair, Director	February 1, 2007	December 31, 2011
Pam Skinner	Vice-Chair, Director	January 1, 2007	December 31, 2011
Dana Richardson	Director, Treasurer	February 10, 2006	December 31, 2011
Robert Taylor	Director	October 1, 2008	December 31, 2011
Trevor Bingler	Director	September 29, 2010	December 31, 2011

MANDATE

The Ontario Mortgage and Housing Corporation's mandate is addressed under two statutes: the *Ontario Mortgage and Housing Corporation Act* and the *Housing Development Act.*

The Corporation has the capacity to make certain housing-related loans, grants, advances and guarantees, and to enter into certain housing-related agreements. Such actions are subject to the approval of the Lieutenant Governor in Council. The Corporation has the power to borrow, issue debentures and grant mortgages subject to the approval of the Lieutenant Governor in Council. The Corporation also has the power to acquire, hold and dispose of real property. In addition, the Corporation has the power to manage, administer and deliver all or part of the Affordable Home Ownership Program set out in the Canada-Ontario Affordable Housing Program Agreement.

The current mandate includes maintaining debt retirement obligations, debt service administration for all loans and consolidated debentures pertaining to the Public Housing/Student Residences Programs and the Canada Pension Plan Fund, satisfying obligations related to former public housing and currently owned properties, and carrying out any other duties assigned by the Minister of Municipal Affairs and Housing in respect of matters under the *Ontario Mortgage and Housing Corporation Act*.

ACTIVITIES IN 2010/2011

The Ontario Mortgage and Housing Corporation addressed its debt retirement and debt service obligations related to former housing programs and the former public housing portfolio. The Corporation also administered a special reserve revolving loan fund for the provincial Affordable Home Ownership Program.

The Corporation has the responsibility for certain environmental liability under the *Environmental Protection Act* (EPA) associated with past ownership of the public housing portfolio.

The Corporation indemnifies Canada Mortgage and Housing Corporation (CMHC) with respect to defaults under certain non-profit social housing mortgages. No claims have been made to date under this obligation.

The Corporation awarded 1,113 bursaries under the Dr. Albert Rose Bursary Program to students living in rent-geared-to-income housing, facilitating the pursuit of their academic careers.

As noted in the 2011 provincial Budget, the Province has identified a number of agencies that have "overlapping functions or whose functions could either cease to exist or be performed more efficiently by other means". The Ontario Mortgage Corporation and the Ontario Mortgage and Housing Corporation have been identified within this group. A review is underway within the Ministry to determine the future of these corporations and whether they could be "eliminated or merged". The results of the review are anticipated by the end of the 2011/2012 fiscal year.

ADMINISTRATION OF THE PUBLIC HOUSING DEBT

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation and the province to finance investments in real property – now devolved to Local Housing Corporations. The capital funds provided by the province have been reclassified as Loans Repayable, with interest and principal

payments being made to the Canada Mortgage and Housing Corporation and the Ontario Ministry of Finance.

In 2010/2011, there were a total of 29 consolidated debentures outstanding, having been extended past their initial maturation date (in 2003). Nine debentures matured between 2003 and March 31, 2011, and two debentures were transferred to the City of Sarnia. As of March 31, 2011, 18 debentures remain outstanding.

MORTGAGES TO NON-PROFIT HOUSING CORPORATIONS (Interest Payments)

The province authorized the Ontario Mortgage and Housing Corporation to borrow funds from the Canada Pension Plan Investment Fund and loan these funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The Canada Pension Plan funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of the issuance of the debentures.

These loans were refinanced in the private sector in 1993-2000. Because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the province. The Ministry of Municipal Affairs and Housing contributes the difference in interest payments.

ADMINISTRATION OF LOANS TO COLLEGES AND UNIVERSITIES

Between 1969 and 1972, the Ontario Mortgage and Housing Corporation (then Ontario Housing Corporation) advanced loans to twelve (12) colleges and

universities for a total of 22 loans for the development of on-campus student housing.

Funding for these loans was obtained from the Canada Mortgage and Housing Corporation and the province.

As security for these loans, the Ontario Mortgage and Housing Corporation obtained leases on the land.

Although these loans are scheduled to reach maturity over the 2019 to 2024 period, the institutions can make early repayment, at any time, without penalty or bonus. As the loans are fully re-paid, title to the property is transferred from the Ontario Mortgage and Housing Corporation to the college or university.

ONGOING LIABILITY FOR PUBLIC HOUSING PROPERTIES

The Ontario Mortgage and Housing Corporation maintains certain liabilities related to its former ownership of public housing properties. This includes potential environmental liability relating to environmental contamination, as per the provisions in the *Environmental Protection Act*.

The Ontario Mortgage and Housing Corporation may be required to undertake actions deemed necessary by the Ministry of the Environment to rectify any environmental contamination confirmed to have existed at the time the Ontario Mortgage and Housing Corporation transferred the public housing portfolio to the local housing corporations. In the 2010/2011 period, the Board considered requests from the City of Toronto and York Region. While other enquiries were made, there were no further formal requests during the reporting period.

There are currently seven known contaminated sites: four sites in the Central Region, one in the Southern Region, one in the Northern Region, and one in the Eastern Region. There are four inert and two active projects that staff will continue to track.

The Corporation is transferring parcels of land remaining in the Corporation's name to the appropriate municipalities. These include narrow strips of land adjacent to municipal properties, that are used for access roads/walkways. The Corporation is in the process of negotiating the transfers of these parcels, and expects that most of these transfers will be completed by the end of the 2011/2012 fiscal year.

DR. ALBERT ROSE BURSARY PROGRAM

The Dr. Albert Rose Bursary Program, established in 1984, was created to help social housing tenants with the costs of post-secondary education. In 2010/2011, a total of 1,113 full and part-time bursaries were awarded to students living in rent-geared-to-income housing in Ontario. The amounts awarded were $825 for full-time students and $275 for part-time students. The amount of the Bursary fund in 2010/2011 was $0.895 million. This funding is primarily provided by the Ministry of Municipal Affairs and Housing.

In addition, Simcoe County contributed an additional $166 per applicant, for up to 30 successful applicants residing in Simcoe County.

NATURE OF OPERATIONS

Under the *Social Housing Reform Act, 2000*, the Corporation transferred, for no consideration, ownership of public housing land to the Local Housing Corporations, which are controlled by the Service Managers. The Corporation retained its investment in student housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund and contingent liabilities. The Ministry of Municipal Affairs and Housing provides the Corporation with subsidies to cover its debt service payments and other expenses.

PERFORMANCE DURING THE YEAR 2010/2011

1. Operational Performance

The Corporation carried out its duties during the course of the year as required by its mandate. Plans were completed within the Ministry to realign the units that provide the Corporation with administrative support, in order to rationalize and improve support to the Corporation.

2. Administration and Administrative Support

Officers: The following employees of the Ministry were the Officers of the Corporation in 2010-2011:

- **Alison Coke**, Chief Executive Officer
- **Karen Thompson**, Corporate Secretary

The Chief Executive Officer is responsible for managing the day-to-day operations of the agency.

The Corporate Secretary's duties include:

- attending Board meetings;
- recording minutes of Board meetings; and
- signing off on minutes of the Board meetings.

Other staff of the Ministry of Municipal Affairs and Housing provide the Corporation's administrative and operational support and financial administration. Legal services are provided by the Ministry of the Attorney General.

3. Financial Performance

The Corporation managed the business and funds for which it is responsible as required by its mandate, applicable provincial financial guidelines and policies, and the terms of individual transactions and agreements.

4. Future Performance Measures and Targets

The Ontario Mortgage and Housing Corporation has not yet prepared specific performance targets over and above its general commitments to good management, compliance with applicable rules of financial and administrative performance, and the requirements of its Memorandum of Understanding with government. As part of its business planning over the coming years, should the Corporation continue in its present form, it would seek to develop performance measures relating to appropriate targets in relation to each activity for which it is responsible.

Ontario Mortgage and Housing Corporation

Financial Statements

March 31, 2011

Ministry of
Municipal Affairs
and Housing

Ontario Mortgage and
Housing Corporation

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Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 22, 2011.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Alison Coke
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the accompanying financial statements of the Ontario Mortgage and Housing Corporation, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and accumulated deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Mortgage and Housing Corporation as at March 31, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Potential Merger

While not impacting my opinion, I draw attention to Note 12 to the financial statements which describes the uncertainty related to the potential merger with the Ontario Mortgage Corporation.

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Toronto, Ontario
June 22, 2011

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31

	2011	2010
ASSETS	(thousands of dollars)	
Cash	1,020	727
Accrued Interest from Universities & Colleges	256	275
Due from Province of Ontario	11,785	11,975
Investments in Properties (Note 2)	15,852	17,079
	28,913	**30,056**
Non-Profit Housing Fund (Note 3)	95,790	923,680
	124,703	**953,736**
LIABILITIES		
Accounts Payable and Accrued Liabilities	12,786	12,699
Current Portion of Long-Term Debt (Note 4)	54,194	51,982
Long-Term Debt (Note 4)	586,792	640,986
	653,772	**705,667**
Non-Profit Housing Fund (Note 3)	95,790	923,680
ACCUMULATED DEFICIT	(624,859)	(675,611)
	124,703	**953,736**

CONTINGENT LIABILITIES (Note 5)

See accompanying notes to financial statements

On behalf of the Board:

Janet Hope, Chair

Alison Coke, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Operations and Accumulated Deficit
For the year ended March 31

	2011	2010
Revenues:	(thousands of dollars)	
Subsidies from Province:		
Debt Service Obligations	95,123	95,946
Interest Differential in Non-Profit Housing Fund (Note 3)	7,195	16,467
Bursary Program (Note 6)	800	1,405
Environmental Remediation (Note 5b)	1,106	65
Interest received from Student Housing	1,062	1,138
Miscellaneous	-	14
Total Revenues	**105,286**	**115,035**
Expenses:		
Debentures Interest:		
Devolved Properties	44,368	47,725
Interest Differential in Non-Profit Housing Fund (Note 3)	7,195	16,467
Student Housing	1,062	1,138
Bursary Program (Note 6)	800	1,405
Environmental Remediation (Note 5b)	1,106	65
Miscellaneous	3	14
Total Expenses	**54,534**	**66,814**
Excess of Revenues over Expenses (Note 7)	**50,752**	**48,221**
›ss on Transfer of Remaining Property	-	(902)
Accumulated Deficit, Beginning of Year	(675,611)	(722,930)
Accumulated Deficit, End of Year	**(624,859)**	**(675,611)**

See accompanying notes to financial statements

NATURE OF OPERATIONS

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations ("LHCs") which are controlled by Municipal Services Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund ("NPHF"), and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing ("the Ministry") provides the Corporation with subsidies to cover its debt service payments and other expenses.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies followed by the Corporation are summarized below:

i. Revenue

Subsidies from the Province are accounted for as revenue, and revenue is recognized when the related expenses are incurred.

ii. Financial Instruments

The Corporation's financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. The classification and method of measurement adopted for the Corporation's financial instruments, including amounts held in the NPHF, are as follows:

- Cash is classified as held-for-trading and is measured at fair value.
- Accrued Interest from Universities and Colleges, amounts due from the Province of Ontario ("the Province"), and Interest Receivable (NPHF – note 3) are classified as loans and receivables and are measured at cost, which due to their short-term nature, approximates their fair values.
- Investments in Properties, Loans to the Province (NPHF – note 3), and Mortgages to Universities and Colleges (NPHF – note 3) are classified as loans and receivables and are measured at amortized cost. Their fair values are disclosed in note 9.
- Accounts Payable and Accrued Liabilities, and Interest Payable (NPHF – note 3) are classified as other financial liabilities and are measured at cost, which due to their short-term nature, approximates their fair value.
- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 4), and Canada Pension Plan Investment Fund Debentures (NPHF – note 3) are classified as other financial liabilities and are measured at amortized cost. Their fair values are disclosed in note 9.

iii. Accumulated Deficit

The Accumulated Deficit that resulted from the transfer of properties to LHC's for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principle payments on the Corporation's long-term debt.

iv. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

2. INVESTMENTS IN PROPERTIES

The Corporation's investments in properties are as follows:

	2011	2010
	(thousands of dollars)	
Student Housing	15,852	17,079

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

	2011	2010
	(thousands of dollars)	
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	19,263	18,036
	15,852	17,079

3. NON-PROFIT HOUSING FUND

The Province authorized the Corporation to borrow funds from the Canada Pension Plan ("CPP") Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures – weighted average rate of 10.6% (2010 – 10.0%).

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during 1993-2000, these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province. The CPP debentures have corresponding loans receivable with the same maturity dates and the Fund will be wound up in July 2012 when all loans receivable and debentures have matured.

The maturity dates of the remaining debentures are as follows:

Debenture No.	Amount	Maturity Date
	(thousands of dollars)	
CP-18	30,000	9-May-2011
CP-19	32,000	6-Jun-2011
CP-20	7,000	5-Jun-2012
CP-21	23,900	10-Jul-2012
	92,900	

As of March 31, the Fund consisted of:

	2011	2010
	(thousands of dollars)	
Assets		
Cash	36	1,404
Loans to Province of Ontario	39,943	734,823
Mortgages to Universities and Colleges	52,957	152,534
Interest Receivable	2,854	34,919
	95,790	923,680
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund		
Current Portion	62,000	794,457
Long-Term Portion	30,900	92,900
Interest Payable	2,854	36,287
Fund Balance	36	36
	95,790	923,680

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and as such the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry to cover the shortfall.

Details of the transactions related to the fund balance are as follows:

	2011	2010
	(thousands of dollars)	
Balance – Beginning of the Year	36	38
Interest Earned – Loans, Mortgages, Bank	49,559	112,454
Interest Differential Subsidy from the Ministry	7,195	16,467
Interest Paid on CPP Debentures	(56,754)	(128, 923)
Balance – End of Year	36	36

4. LONG TERM DEBT

Long term debt is comprised of the following:

	2011	2010
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	573,271	619,615
Loans Repayable to the Province	67,715	73,353
	640,986	692,968
Less: Current Portion	54,194	51,982
	586,792	640,986

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation ("CMHC") and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province have been reclassified as Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ontario Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the weighted average rates are 6.49% and 7.11% respectively (2010 – 6.4% and 7% respectively). Interest expense for March 31, 2011 totaled $45.4 million (2010 – $48.3 million), $5.2 million (2010 – $5.5 million) of which was paid to the Province.

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
		(thousands of dollars)	
2012	87,820	10,700	98,520
2013	86,732	10,482	97,214
2014	84,550	10,181	94,731
2015	82,701	9,942	92,643
2016	77,718	9,308	87,026

5. CONTINGENT LIABILITIES

a) The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province.

The Ministry will reimburse any costs incurred by the Corporation. As of March 31, 2011, there were $7.07 billion (2010 – $7.4 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

b) Under the *Social Housing Reform Act*, the Corporation retained the liability for cleaning up environmentally contaminated sites within the former public housing portfolio. Although the total cost of potential remediation is unknown, the Corporation will be reimbursed by the Ministry for costs incurred. Cumulative expenditures for site remediation to March 31, 2011 are $3,099,706 (2010 – $1,993,248).

The Corporation had five outstanding claims as at March 31, 2011: the multi-year Regent Park commitment, one site in the City of Toronto, one site in the Regional Municipality of York, one site in the City of Kenora, and one site in the Town of Rainy River. Remediation costs for the latter two sites are not expected to be significant.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). Based on the redevelopment plan prepared by TCHC, it is expected to take up to 15 years for the redevelopment of Regent Park and environmental remediation may be required at each stage of redevelopment. The remediation cost of Regent Park is estimated to be $12 – 15 million.

At the City of Toronto site, formerly owned by the Corporation, soil was contaminated by petroleum due to site usage as an oil refinery. The Toronto Community Housing Corporation is currently investigating options for remediation. There has been no claim for payment. The remediation cost is estimated to be $1.9 million.

At the Regional Municipality of York ("the Region") site, formerly owned by the Corporation, lead contaminated sediment in a small storm water retention pond was identified. The Region is currently investigating options for remediation. There has been no claim for payment. The Region's remediation cost is estimated to be $1 million.

The Corporation may spend up to $540,000 in 2011-12 for environmental remediation.

6. BURSARY PROGRAM

The Dr. Albert Rose Bursary program is primarily funded by the Province but may also receive additional funding from municipal service managers and other sources. The program offers financial assistance to rent-geared-to-income tenants in Ontario who wish to acquire a post-secondary education.

7. EXCESS OF REVENUES OVER EXPENSES

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments.

8. RELATED PARTY TRANSACTIONS

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

a) Loans to Ontario Colleges

As of March 31, 2011, the outstanding balance due from colleges with respect to Student Housing loans (note 2) was $855,000 (2010 - $899,000) and Non-Profit Housing Fund mortgages (note 3) was $28,333,000 (2010 - $28,333,000). Total interest and principle payments received from colleges for both programs was $2,751,000 (2010 - $2,751,000).

b) Administrative Expenses

The Ministry provides administrative services to the Corporation at no charge. The Corporation does not have any payroll expense as all personnel are Ministry employees and are paid by the Ministry.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Information about the Corporation's financial instruments and risks is as follows.

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities.

The carrying amounts of short-term financial instruments approximate fair values.

Long-term financial instruments consist of Investments in Properties (note 2), loans from the Province, CMHC debentures (note 4), and CPP debentures in the NPHF (note 3). The estimated fair values of the Investments in Properties, the CMHC debentures, and the CPP debentures in the NPHF are based on the future cash flows associated with each instrument discounted using an interest rate based on the market prices at March 31, 2011 for debt instruments with similar characteristics. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Consequently, the fair value estimates are not necessarily indicative of the amount these instruments would trade for in actual market transactions.

At March 31, 2011 the estimated fair value of: Investments in Properties (note 2) approximated its book value of $15.9 million (2010 – $17.1 million); CMHC debentures (note 4) exceeded their aggregate book value by $96 million (2010 – $102 million); and CPP debentures in the NPHF (note 3) exceeded their aggregate book value by $3.8 million (2010 – $26 million). The Corporation is controlled by the Province, therefore, the fair value of loans receivable from the Province (note 3) – $40 million (2010 – $735 million) and loans repayable to the Province (note 4) - $67.7 million at March 31, 2011 (2010 – $73.4 million) has not been calculated.

10. CAPITAL DISCLOSURES

The Corporation considers cash to be its capital. In managing capital, the Corporation's objectives are to ensure that sufficient cash is on hand to service its debts and pay its expenses. In this regard, the Ministry ensures the Corporation's objectives are met by providing sufficient subsidies, as well as administrative services at no charge to the Corporation.

The Corporation's investments in properties and non-profit housing fund loans are each associated with specific debt obligations of the Corporation. Interest and principle payments received from the investments and loans are used to service the associated debts.

As at March 31, 2011 the Corporation has met its capital objectives and is not subject to any externally imposed capital requirements.

11. ACCOUNTING POLICY TRANSITION

In 2009, the Public Sector Accounting Board approved amendment to "Introduction to Public Sector Accounting Standards". The amendment allowed organizations classified as Other Government Organizations to adopt either Public Sector Accounting Handbook or International Financial Reporting Standards ("IFRS") for publicly accountable entities as the primary source of Canadian generally accepted accounting principles beginning on or after January 1, 2011. Taking into consideration the nature of the organization and its users, the Corporation has determined that Public Sector Accounting standards are a more suitable accounting standard to follow. The Corporation is planning to adopt Public Sector Accounting standards for fiscal year 2011/12. The impact on the financial statements is not expected to be significant.

12. POTENTIAL MERGER

In March 2011, the Ontario Government announced that it is moving forward with its plan to reduce the number of agencies and the potential merger of the Ontario Mortgage and Housing Corporation and the Ontario Mortgage Corporation. Currently, a number of options are being explored and no decision has been made on the future direction of the Corporation.